Local Government Mandate Statement Kentucky Legislative Research Commission 2018 Regular Session

Part I: Measure Information

Bill Request #: 1057						
Bill #: HB 182						
Document ID #: 1907						
Bill Subject/Title: AN ACT relating to earned paid sick leave.						
Sponsor: Representative Mary Lou Marzian						
Unit of Government: x City x County x Urban-County Unified Local						
x Charter County x Consolidated Local x Government						
Office(s) Impacted: all local government offices with employees						
Requirement: <u>x</u> Mandatory Optional						
Effect on Powers & Duties: <u>x</u> Modifies Existing Adds New Eliminates Existing						

Part II: Bill Provisions and the Estimated Fiscal Impact Relating to Local Government

HB 182, Section 1 would create a new section of KRS Chapter 337 to require employers to provide earned paid sick leave to each employee in Kentucky. Paid sick leave would begin accruing at date of hire and accrue at 1 hour of sick leave for every 30 hours worked. Employees who are exempt from overtime requirements would be assumed to work 40 hours a week unless their normal work week is less than that, in which case sick leave would accrue based on that normal work week. Employers with fewer than 10 employees would be required to allow employees to accrue or carry forward 40 hours of sick leave per year; employers with 10 or more employees would be required to allow 72 hours of accrued or carried forward sick leave per year.

The bill would establish that an employee may use accrued sick leave for the diagnosis, care, medical treatment of, or recovery from a mental or physical illness, injury, or other health condition of the employee or the employee's child, parent, or spouse. Accrued sick leave could also be applied to time needed for medical care or legal proceedings due to domestic violence against the employee, the employee's child, parent, or spouse. Employers would be required

to provide notice to employees at the time of hiring of the employee's right to earn paid sick leave, the amount of sick leave provided, and the terms of its use.

An employer would not be required to pay employees for unused accrued sick leave on termination.

Section 2 of the bill would amend KRS 337.990 to establish a civil penalty of \$500 for each violation of Section 1 by an employer. Each day and each worker affected would constitute a separate offense.

Kentucky League of Cities (KLC) submits HB 182, "would have a minimal to moderate negative financial impact on cities." KLC reports that most cities provide as much leave time as the bill would require, though time is accrued based on length of service rather than hours worked. Since the bill does not differentiate between full and part-time employees, local government employers would have to provide paid sick leave to part-time employees and seasonal workers, which few currently do. KLC offers the following example: a parttime employee working 30 hours a week would accrue 52 hours of sick leave per year. If the employee is paid \$15/hour, the value of that time is \$780, excluding additional direct costs (e.g. Social Security match) or peripheral costs (e.g. coverage during the employee's absence). A local government in violation of the Act could be fined \$500 for each day of violation, for each employee affected. The median number of employees in a city is 12. If a 12-employee city is found in violation, it could owe as much as \$6,000 for each day of noncompliance. In one 31-day calendar month, the fine could be as much as \$186,000. Record keeping and policy changes to insure compliance would have a negative fiscal impact on cities. Cities may need to redo personnel policies and their employee handbook, which would need to be reviewed and approved by their city attorney.

KLC believes the legislation could also indirectly negatively impact cities by decreasing the competitiveness of city jobs. Cities have historically offered enhanced benefits packages (e.g. pension, leave time, holidays, health insurance, etc.) to recruit and retain employees at lower salaries than the private sector. If all employers provide the same minimum amount of sick leave, the difference between the benefits in the public and private sectors would be lessened, thereby forcing cities to raise wages or increase benefits to compete for top talent.

Data is insufficient to confirm, but it can be assumed the bill would have a similar fiscal impact on county government employers.

Part III: Differences to Local Government Mandate Statement from Prior Versions

Part II pertains to the bill as introduced and there are no prior introduced versions of the bill.

Data Sourc	re(s): <u>Kentucky</u>	<u>League of Cities; LR</u>	<u>C staff</u>		
Preparer:	Mary Stephens	Reviewer:	KHC	Date:	3/23/18